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ORIGIN EB-11

INFO OCT-01 ISO-00 IO-14 TRSE-00 AGR-20 NSC-10 CIEP-02

STR-08 AID-20 OMB-01 SS-20 COME-00 L-03 SWF-02 SAM-01

CIAE-00 INR-10 NSAE-00 RSC-01 AF-10 ARA-16 EA-11

EUR-25 NEA-11 CEA-02 SPC-03 /202 R

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EB/ORF-JLKATZ (SUBS)

USDA/FAS-RBELL/NOVOTNY (SUBS)

EUR/RPE-JMCCARTHY (SUBS)

TREASURY-HWORTHINGTON(SUBS)

EA -AGEBE(SUBS)

NSC-BUSHNELL (SUBS)

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STR:WILLIAMS (SUBS) AID:AMAIR (SUBS) OMB:CLANCASTER (DRAFT)

E:JBILLER (SUBS) S/S:SRGAMMON

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AMEMBASSY COPENHAGEN PRIORITY

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E.O. 11652: N/A

TAGS: EAGR

SUBJ: EXTENSION OF FOOD AID CONVENTION (FAC)

REFS: (A) STATE 17175 (B) LONDON 1767 (C) EC BRUSSELS 867
(D) LONDON 1867

1. SUMMARY. IT NOW APPEARS UNLIKELY EC WILL REACH DECISION ON EXTENDING FAC BY FEBRUARY 20-22 MEETINGS. WHILE WILLING ACCEPT TWO WEEK POSTPONEMENT, PREFERRED US POSITION IS TO CONTINUE WITH MEETINGS AS SCHEDULED. AT MEETINGS US WILL VOTE TO EXTEND FAC, AS WELL AS WHEAT TRADE CONVENTION (WTC), BUT WILL CONDITION US SIGNING AND/OR RATIFICATION PROTOCOL EXTENDING FAC TO EC REMAINING A PARTY. ALSO, WE HAVE STRONG MISGIVINGS REGARDING POOR EC PERFORMANCE IN MEETING OBLIGATIONS UNDER FAC. US WILL CAREFULLY RECONSIDER ITS SUPPORT FOR FAC EXTENSION IF EC PERFORMANCE THIS REGARD DOES NOT IMPROVE. ADDRESSEE POSTS REQUESTED TO BRING US POSITION TO ATTENTION HOST GOVERNMENTS. END SUMMARY.

2. US POSITION IN SUPPORT EXTENSION FAC SET FORTH REFTEL (A). FROM REFTELS (B) AND (C) IT NOW APPEARS UNLIKELY EUROPEAN ECONOMIC COMMUNITY (EC) WILL HAVE REACHED DEFINITE DECISION BY TIME OF FEBRUARY 20-22 MEETINGS OF FOOD AID COMMITTEE AND INTERNATIONAL WHEAT COUNCIL AND CONFERENCE OF GOVERNMENTS. WHILE IT MAY BE POSSIBLE POSTPONE MEETINGS FOR TWO WEEKS (SEE PARA 9 BELOW), WE PREFER TO CONTINUE WITH THEM AS SCHEDULED.

3. IF MEETINGS HELD AS SCHEDULED, AND IF OTHER MAJOR DONORS APART FROM EC SUPPORT EXTENSION, THE US WILL ALSO SUPPORT EXTENSION. HOWEVER, WE WILL MAKE EXPLICIT AT FEBRUARY 20-22 MEETINGS THAT US SUPPORT FOR FAC EXTENSION IS CONTINGENT ON EC ALSO REMAINING A PARTY AND, IN ADDITION,

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THAT US WILL CAREFULLY RECONSIDER ITS POSITION IN SUPPORT FAC IF EC'S PRESENT PERFORMANCE IN MEETING FAC OBLIGATIONS DOES NOT IMPROVE. THIS WOULD MEAN, IF EC DECIDES AGAINST EXTENSION, THAT US WOULD NOT SIGN AND/OR RATIFY PROTOCOL EXTENDING FAC. IT COULD MEAN US WOULD NOT GO AHEAD WITH FAC RENEWAL IF EC DOES NOT SPEED UP COMMITMENTS AND SHIPMENTS FOR PERIOD FY 72 - FY 74.

4. THE EC IS SUBSTANTIALLY IN ARREARS IN MEETING ITS MINIMUM ANNUAL CONTRIBUTIONS UNDER THE FAC. AGAINST THE 1971/72 QUOTA OF 1,035,000 METRIC TONS, 265,301 NOT YET SHIPPED OF WHICH 244,380 NOT YET COMMITTED. AGAINST 1972/73 QUOTA OF 1,161,000 METRIC TONS (INCREASED BECAUSE OF NEW EC MEMBERS), 586,759 NOT YET SHIPPED OF WHICH 478,759 NOT YET COMMITTED. EC IS ONLY FAC PARTY BEHIND ON COMMITMENTS. OF OTHER MEMBER COUNTRIES, ARGENTINA IS BEHIND ON SHIPMENTS FOR BOTH YEARS, FINLAND, SWITZERLAND AND JAPAN ON SHIPMENTS FOR 1972/73. HOWEVER, QUANTITIES INVOLVED ARE RELATIVELY SMALL.

5. IN TIGHT WORLD FOODGRAIN SUPPLY SITUATION WHICH WE FACE THIS YEAR WE BELIEVE IT IS ESPECIALLY INCUMBENT UPON DONOR COUNTRIES UNDER THE FAC TO LIVE UP TO THEIR TREATY OBLIGATIONS TO SUPPLY FOOD AID. FAILURE TO MEET THESE COMMITMENTS WHILE HOLDING AMPLE GRAIN SUPPLIES OFF THE MARKET FOR HIGHER PRICE RETURNS, OR THROUGH POLICIES ENCOURAGING THE USE OF GRAIN FOR FEED WHICH COULD BE AVAILABLE FOR HUMAN CONSUMPTION, NOT ONLY VIOLATES OBLIGATIONS, BUT ALSO SERVES AS UNFORTUNATE PRECEDENT FOR PREPARATIONS FOR WORLD FOOD CONFERENCE. ACCORDING TO INTERNATIONAL WHEAT COUNCIL DATA OF JANUARY 30, EC WHEAT EXPORT AVAILABILITIES FOR 1973/74 ARE IN THE RANGE OF 6.2 TO 8.2 MILLION METRIC TONS. TO JANUARY 17, EXPORT CERTIFICATES FOR 3.7 MILLION METRIC TONS OF WHEAT AND FLOUR HAD BEEN TAKEN OUT BY EXPORTERS. CONSEQUENTLY, AS A MINIMUM IT IS REASONABLE TO ASSUME EC HAS ADDITIONAL EXPORT AVAILABILITIES OF 2.5 MILLION TONS.

6. USG BELIEVES THAT FAILURE OF EC TO MEET ITS FOOD AID COMMITMENTS HAS INCREASED DEMAND ON US MARKET FOR WHEAT, RESULTING IN HIGHER US DOMESTIC AND WORLD PRICES WHICH LIMITED OFFICIAL USE

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HURT DEVELOPING COUNTRIES THE MOST.

7. USG PREFERS EXTENDING BOTH FAC AND WHEAT TRADE CONVENTION (WTC) FOR TWO YEARS. HOWEVER, IF THERE APPEARS MORE LIKELIHOOD EC WOULD AGREE TO ONE YEAR EXTENSION OF FAC, WE WOULD SUPPORT THIS COURSE IN FEBRUARY 20 MEETING OF FOOD AID COMMITTEE, WHILE AGREEING TO TWO YEAR EXTENSION OF WTC AT FEBRUARY 21 MEETING OF INTERNATIONAL WHEAT COUNCIL.

8. ACTION REQUESTED: ADDRESSEE POSTS SHOULD APPROACH HOST GOVERNMENTS AT HIGHEST APPROPRIATE LEVEL AND MAKE FOLLOWING TWO POINTS: A) PRIMARY US OBJECTIVE IS EXTENSION FAC WITH CONTINUED EC ADHERENCE; B) HOWEVER, USG IS NOT WILLING TO IGNORE EC TARDINESS IN MEETING OBLIGATIONS

FOR SAKE OF CONTINUED EC ADHERENCE, SINCE OBLIGATIONS NOT FULFILLED RAISE SERIOUS DOUBTS ABOUT MERITS OF RENEWAL. POSTS IN NON-EC COUNTRIES SHOULD URGE HOST GOVERNMENTS TO MAKE SIMILAR DEMARCHES O EC MEMBER STATES (WE BELIEVE CANADA AND AUSTRALIA HAVE ALREADY TAKEN SUCH ACTION), AND ALSO SEEK SUPPORT FOR DIFFERENT EXTENSION PERIODS FOR FAC AND WTC DISCUSSED PARA 7.

9. REFTELS (B) AND (C) OFFER HOPE THAT EC DECISION ON FAC MAY BE REACHED BY FEBRUARY 26. EMBASSY LONDON MAY DISCUSS POSSIBLE POSTPONEMENT OF FEBRUARY 20-22 MEETINGS WITH IWC SECRETARIAT. PRESENT DATES WERE SET WITH VIEW TO TIME REQUIRED FOR PROCESSING, SIGNING AND RATIFYING INSTRUMENTS PRIOR JUNE 18. LEGAL ADVISERS OFFICE BELIEVES PLANNED SCHEDULE COULD STILL BE MET IF MEETINGS POSTPONED NO MORE THAN TWO WEEKS. USG WOULD AGREE TO POSTPONEMENT BUT WOULD NOT URGE IT IN PREFERENCE TO COURSE OF ACTION SET FORTH PARA 3. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LESS DEVELOPED COUNTRIES, MEETING AGENDA, ECONOMIC ASSISTANCE, SUPPLIES, FOOD ASSISTANCE, MEETINGS, GRAINS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE028915
Document Source: CORE
Document Unique ID: 00
Drafter: RESERVICE/LS-TREASURY -MCHAVES
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740238/aaaabjhi.tel
Line Count: 187
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) STATE 17175 (B) LONDON 1767 (C), EC BRUSSELS 867
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAR 2002 by elyme>; APPROVED <31 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXTENSION OF FOOD AID CONVENTION (FAC)
TAGS: EAGR, AR, EEC, FAC
To: BUENOS AIRES MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005